



**QUARTERLY UPDATE
TO THE LEGISLATURE**

MEDI-CAL MANAGED CARE PROGRAM

October through December 2011

**Department of Health Care Services
Medi-Cal Managed Care Division**

TABLE OF CONTENTS

A. Purpose of the Update.....	2
B. Agnews and Alameda Alliance for Health.....	2
C. Avoidable Emergency Room Visits	3
D. AB 1422 Gross Premiums Tax Sunset Extension.....	3
E. Risk Adjusted Capitation Rates.....	3

A. PURPOSE OF THE REPORT

The Budget Act of 2005 authorized the Department of Health Care Services (DHCS) to expand the Medi-Cal Managed Care Program into 13 new counties: El Dorado, Imperial, Kings, Lake, Madera, Marin, Merced, Mendocino, Placer, San Benito, San Luis Obispo, Sonoma, and Ventura.

Beginning January 1, 2006, DHCS was required to provide quarterly updates to the policy and fiscal committees of the Legislature on DHCS' core activities to improve the Medi-Cal Managed Care Program and to expand into the 13 new counties.

The updates shall include:

- Progress or key milestones and objectives to implement changes to the existing program;
- Submittal of State Plan Amendments to the Centers for Medicare and Medicaid Services (CMS);
- Submittal of any federal waiver documents; and
- Applicable key functions related to the effort to expand the Medi-Cal Managed Care Program.

In response to legislative inquiries on the rate setting methodology, DHCS added this information into the quarterly update report.

This report is not intended to update the ongoing development and implementation of the Section 1115 Demonstration Waiver authorized under Assembly Bill (AB) X4 6 (Chapter 6, Statutes of 2009). Updates regarding the Section 1115 Demonstration Waiver are included in the semi-annual report titled "Mandatory Enrollment of Seniors and Persons with Disabilities into Medi-Cal Managed Care."

DHCS is currently undertaking or has completed the actions listed below to enhance and improve the Medi-Cal Managed Care Program. The following report is a condensed version of previous reports and highlights the changes or additions from the previous report which are shown in *italics* for emphasis.

B. AGNEWS AND ALAMEDA ALLIANCE FOR HEALTH

DHCS finalized its work with the Department of Developmental Services (DDS), Bay Area Regional Centers, Agnews Developmental Center (Agnews), Alameda Alliance for Health (AAH), Santa Clara Family Health Plan, and Health Plan of San Mateo to complete the transition of approximately 230 patients formerly residing at Agnews, who required specialized health care as they moved into community homes.

In June 2011, AAH accepted a full-risk capitation rate retroactive to January 1, 2008. On September 26, 2011, DHCS received final approval of the contract from CMS (CMS approval letter dated September 22, 2011). DHCS incorporated the rates into AAH's contract and *has completed the recoupment process with the plan.*

C. AVOIDABLE EMERGENCY ROOM VISITS

DHCS has worked collaboratively with Medi-Cal managed care health plans to reduce avoidable visits to the emergency room (ER) for the past four years. An avoidable ER visit is a visit that is more appropriately managed by and/or referred to a primary care provider through an office or clinic setting. Health plans worked collaboratively to implement two statewide interventions: a health education campaign and a health plan collaboration with a selected network hospital.

The ER Collaborative ended in December 2010 and all health plans have submitted their final ER Collaborative reports to the External Quality Review Organization (EQRO). The EQRO is in the process of reviewing these reports. A final Statewide ER Collaborative report is targeted for release in the fall of 2012. The report will summarize the successes, challenges and lessons learned to reduce avoidable ER visits during the past four years.

D. ASSEMBLY BILL 1422 GROSS PREMIUMS TAX SUNSET EXTENSION

Assembly Bill (AB) 1422 (Bass, Chapter 157, Statutes of 2009) added Medi-Cal managed care health plans to the list of insurers subject to California's gross premiums tax, or Managed Care Organization tax, a 2.35 percent tax on total operating revenue. The proceeds from this tax are appropriated to DHCS for the Medi-Cal Managed Care Program and to the Managed Risk Medical Insurance Board for the Healthy Families Program (HFP). The bill increases premiums paid by HFP enrollees, and allows the California Children and Families Commission to transfer monies among its various funds.

The bill took effect retroactively to January 1, 2009. Senate Bill (SB) 208 (Steinberg, Chapter 714, Statutes of 2010) extended the sunset date of AB 1422 from January 1, 2011 to June 30, 2011. State Budget trailer bill ABx1 21 (Blumenfield, Chapter 11, Statutes of 2011) extended the sunset date from June 30, 2011 to June 30, 2012. *Language has been proposed to eliminate the sunset date.*

E. RISK ADJUSTED CAPITATION RATES

For rate years beginning in State Fiscal Year 2009-10, DHCS implemented maternity supplemental payments and risk-adjusted capitation rates for health plans contracting in counties that provide health care under the Two-Plan Model and Geographic Managed Care model of managed care. The maternity supplemental payments to health plans were in addition to monthly capitated payments and were based on health plan reports of delivery events.

Capitation rates were risk-adjusted to more effectively match each health plan's projected costs to their capitated payments. To calculate the final capitation rates, the final adjusted risk scores were applied to the developed county average capitation rates. For the first and second years, risk adjustment was phased in using a rate comprised of 20 percent risk-adjusted county average rates and 80 percent health plan-specific rates. For the third year, risk adjustment *is being* phased in using a rate comprised of 25 percent risk-adjusted county average rates and 75 percent health plan-specific rates.